Corporate Social

Responsibility

A guide to help you take into account the financial, social and environmental impacts of your decisions and actions

It is important for any business owner or manager to have an understanding of corporate social responsibility. In this guide, we look at some of the key points of corporate social responsibility, including the triple bottom line, developing a culture of responsible business, responsible investing and community service.

Fāilte Ireland

Corporate Social Responsibility

This guide looks at some of the key points of corporate social responsibility and covers the following content:

1. What is Corporate Social Responsibility?

Subway's Social Responsibility shows what the company is committed to doing to reduce its environmental footprint and create a positive influence in the communities it serves around the world

Corporate social responsibility is the term used to describe the way that a business takes into account the financial, environmental and social impacts of decisions and actions it is involved in. It is an increasingly important issue in business, as managers, guests, investors and employees have begun to understand how economic growth is linked to social and environmental well-being.

Corporate social responsibility is a key issue for any organisation aiming for long term sustainability. Whilst it is a mostly voluntary concept, there is increasing pressure on organisations to make a positive contribution to society, or at the least, reduce their negative impact. Internationally, governments are also moving towards the enforcement of certain elements of corporate social responsibility, particularly in regards to the protection of the environment.

Responsible businesses may not necessarily be able to measure the positive impact their behaviour has on their performance, however, irresponsible businesses are likely to notice the negative impact their decisions have on their bottom line. Business sustainability now and in the future depends on organisations taking into account the social and environmental consequences of their decisions and actions.

In the past, many businesses and managers were primarily concerned with increasing shareholders' value. Shareholders are the people who own part of a business and share in its profits. For a small business, this may be a single business owner. In a large corporation, this could include thousands of people who hold shares in the company and receive dividends.

Traditionally, managers were focused on short to medium term profits. However, there has been a developing trend that goes away from simply increasing the return for shareholders and instead focuses on increasing the value of the business in terms of the stakeholders. Stakeholders are the people who are affected by the actions and performance of the business, and include both internal and external parties. Business stakeholders include people such as guests, shareholders, associates, employees and business owners. Businesses that are socially responsible aim to make decisions that are in the best interests of their various stakeholders.

Developing your understanding of corporate social responsibility and implementing it into your business now may help you to get a step ahead of your competitors. You can use it to gain a competitive edge and it gives you the opportunity to provide benefits to a wider range of business stakeholders.

2. The Triple Bottom Line

The triple bottom line refers to an extension of the criteria used to measure organisational success. Traditionally, business success (or failure) is measured in terms of its economic performance. A business is considered to be successful if it has generated a sufficient financial return from its investments, financing activities and operating activities. The triple bottom line takes into account three criteria for assessing organisational performance; economic, social and environmental.

The financial or economic performance of an organisation is the easiest of the three criteria to measure accurately. Traditional accounting methods take into account the inflow and outflow of resources from the business, generally including cash and finances, assets, liabilities and other easily definable business resources. The economic criteria can then be used to determine how much an organisation generates in monetary value. It can also be used to determine the net worth of the business at a given point in time.

The social performance of an organisation is somewhat more difficult to define and measure. The social criterion of the triple bottom line takes into account the impact that a business has on people within the business (employees) and people outside of the business (the community). A business applying the triple bottom line principles will act in a way that benefits the community and will ensure that people are not being exploited or endangered by the operation of the business. Social factors that should be considered include labour utilisation and wages, working conditions and contribution to community living standards.

Environmental performance is concerned with a business' total impact on the natural environment. Triple bottom line organisations aim to improve the environment where feasible, or at the very least, reduce and limit their negative impact on the environment.

“ *assess and compare* ”

Triple bottom line reporting is becoming more widespread amongst both large and small organisations. Triple bottom line reporting makes business decisions and actions more transparent and allows people to gain a thorough understanding of a business' level of corporate social responsibility. The triple bottom line report also helps management to assess and compare their performance across all three criteria against the business objectives and long term goals.

“Companies with their eye on their 'triple-bottom-line' outperform their less fastidious peers on the stock market"
The Economist

3. Challenges of Socially Responsible Business

"Stakeholders want companies to make a profit, but not at the expense of their staff and the wider community."

Brian Gosschalk, CEO, MORI, quoted in Financial Times

There is much debate and criticism surrounding the concept of corporate social responsibility. Some people believe that the actual responsibility of a business is only to its owners and shareholders. Others believe that a business should be held accountable for all of its actions (past, present and future) that impact the environment and community.

One of the common criticisms of corporate social responsibility is that there is a conflict between the purpose of business and the concept of social responsibility. It is argued by many businesspeople and economists that the true purpose of business is to make a profit for the benefit of shareholders. Doing anything outside of this purpose undermines this fundamental business principle.

If an organisation has a responsibility to its shareholders to make as much profit as possible, how can it justify spending some of those profits on socially responsible projects or making decisions that will negatively affect the bottom line? Essentially, this argument against social responsibility remains true until consumers and shareholders begin to expect a business to act in a responsible way.

> *"public relations and brand building"*

Another criticism of corporate social responsibility is that the actual benefit received by the community is negligible or non-existent. Social responsibility should result in positive outcomes for both the business and the community. However, often the results fall heavily in favour of the business involved. Businesses invest a comparatively small amount into community projects and then use their efforts to promote their brand and gain access to markets all around the world. The public relations and brand building they receive far outweighs their investment in socially responsible projects.

One of the serious challenges that businesses face when becoming involved in corporate social responsibility is growing consumer cynicism. Customers now recognise that for many organisations, social responsibility is simply a public relations campaign in disguise. They are sceptical about the true motivation behind corporate social responsibility and are not easily convinced that a business is acting in the best interests of the community and environment.

Even businesses that are genuine in their commitment to social responsibility face the challenge of winning over customers. Businesses need to be careful to not be seen boasting about their socially responsible endeavours. Basically, customers view this as a marketing ploy and often disregard what is being said as you simply trying to drum up good public relations. This is especially apparent when businesses have made profits from irresponsible behaviour for many years and then expect praise from customers when they suddenly start to make small changes to their practices.

Another significant challenge that results from socially responsible behaviour is that it can negatively affect business profit margins. How can a business justify spending on activities that provide no measurable returns for the business? Of course, the solution is to find socially responsible projects that do offer some tangible benefits; however, many consider this to corrupt the motivation behind responsible business practices. It is debatable as to how much a business should sacrifice in its pursuit of social responsibility.

Corporate social responsibility also comes under criticism because it is disposable or reversible. Many businesses get involved in sustainable projects when economic conditions are excellent and they have plenty of disposable resources, however, as soon as conditions worsen, their community projects are the first thing to go. This can be detrimental to groups who were reliant on the assistance they were receiving from the organisation.

Clearly, organisations that want to be socially responsible must face many challenges and overcome a number of barriers and criticisms. You need to weigh up all of the advantages and disadvantages that are associated with corporate social responsibility and determine what is best for the sustainability of your business.

"Corporate social respon-sibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it… because it is good for our business"
Niall Fitzerald, Former CEO, Unilever

4. Developing a Culture of Responsible Business

Conrad Hilton has developed a [Corporate Social Responsibility] approach that is centred on four areas that guide its business and philanthropy efforts

Many successful organisations believe that their sustainability is a result of having a strong culture of responsibility and ethics ingrained in their business. Developing a culture of responsible business can provide long term benefits to your business and will help you to avoid the consequences associated with decisions that don't take into account the triple bottom line.

Developing a mission statement that supports your vision and reason for operating your business will help to establish your standpoint concerning social responsibility and sustainability. It should include information about what you aim to achieve, in line with your vision for the business in the future, and an outline your commitment and values in regards to social responsibility.

You should consider developing a set of policies or guidelines that outline the expectations of your business in regards to social responsibility. You should define your standpoint on issues such as ethics and moral standards so that your team is able to gain a clear understanding of how they are expected to behave when working for the business. Part of this process is getting feedback from your team so that you can work out which policies are feasible and identify any changes that need to be made.

In order for your business to be socially responsible, you need to encourage your employees, customers and associates to support the idea. When making purchases, you should look for sustainable options and suppliers. In the long term, this will encourage other businesses to become more sustainable in the hope of establishing a business relationship with your organisation. You can also encourage your employees to get involved in community projects and buy sustainable products and offer incentives for team members who demonstrate a commitment to social responsibility.

To continue the development of a socially responsible culture in your business, you should aim to empower your employees to make decisions and take responsibility for their actions. If employees (particularly managers) are made accountable for decisions made in the course of business, they are more likely to act in an ethical and responsible way. Ensure that your employees are allowed to make decisions that provide benefits to society and enable them to work towards long term, sustainable objectives rather than worrying about short term gains.

When it comes to selling products and services to guests, try to offer a sustainable option whenever possible. For example, if you are selling food, you could offer a range of organic options to your customers. This type of approach allows people to make their own decisions about their involvement in environmental and social responsibility.

Developing a culture of socially responsible decisions and actions in your business can take time. The key to success is leading by example and growing with your business. If you make yourself aware of current issues and align yourself with a strong set of socially responsible principles, you encourage your employees, customers and associates to do the same.

"People are going to want, and be able, to find out about the citizenship of a brand, whether it is doing the right things socially, econom-ically and environ-mentally."

Mike Clasper President of Business Develop-ment, Proctor and Gamble (Europe)

5. Community Relations

Community relations are considered to be an important aspect of corporate social responsibility in many organisations. Businesses use it as an opportunity to support sustainable or charitable causes. It can also be seen as a good way to build a positive relationship with people and improve their public image. It is instigated by monetary donations, donations of equipment or resources, or through the volunteer work of groups or individuals.

The common way for businesses to engage in community relations is by making monetary donations to charitable organisations, which then use the money for projects that help the community in different ways. By using the services of charitable organisations, businesses can be assured that their money is going to a good cause and will be used responsibly.

Businesses can also choose to donate equipment, resources or supplies to people or countries that are facing hardship. For example, in an emergency situation such as after an earthquake, many organisations donate supplies such as bottled water, food and clothing to help in the relief effort. Humanitarian work such as this not only helps the community in need of assistance, but also helps businesses to gain respect from consumers.

> *"volunteering and helping out"*

If making donations of money or resources is not practical for your business, you could consider donating some of your time or skills to a local community project. Volunteering and helping out at a local charity is a great way to get involved and your efforts will be appreciated by the people that you help. There are often projects going on in local communities that you mightn't even be aware of, so get in contact with a charitable organisation and see if there is any way you can help out.

One significant criticism of all this in the business world is that it takes away a person's opportunity to choose if or where they would like to contribute to the community. If a company dips into its profits to make payments to a charity, it is reducing the available funds that would otherwise be distributed to shareholders (or possibly employees). The forced contribution takes away the opportunity for shareholders to choose where their money goes.

Another issue is that many people are cynical of the charity and community efforts of business. Unfortunately, many see it as simply another public relations exercise and that companies wouldn't get involved unless they stood to gain something in return. Whilst this may be true to some extent in certain circumstances, it is important to remember that businesses are under no obligation to make donations or engage in socially responsible activities. It is considered by most that some contribution is preferable to none at all.

The [Charterhouse Hotel](), Hong Kong organises and participates in a number of activities such as visiting the elderly and assisting socially deprived people

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